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Leading Clever People

by **Rob Goffee** and **Gareth Jones**

The Idea in Brief

Who *most* determines your company's success? **Clever people**—employees whose knowledge and skills enable them to produce disproportionate value for your firm. Think the pharmaceutical researcher who formulates a new drug, or the programmer who creates a new piece of code. Their single innovation may bankroll their entire organization for a decade.

To make sure clever people do their best work at your company, you must harness their talents. But that isn't easy: Clever people don't want to be led. They don't care about titles or promotions. And they're easily bored.

What to do? Goffee and Jones suggest leading this crew differently. Be a benevolent guardian, not a traditional boss—by protecting them from complex rules and politics. Create a safe environment where they can experiment—and fail. Respect their expertise while quietly demonstrating your own.

Lead your clever people the *right* way, and you unleash their full potential. They *and* your organization win.

The Idea in Practice

To get the most from your clever people, understand what makes them different. Unlike typical employees, they:

- Know their worth
- Know how to get funding for pet projects
- Expect instant access to higher-ups
- Are plugged into extensive knowledge networks
- Won't thank you for leading them well

To increase clever people's value—and prevent attrition:

- **Reduce administrative distractions.** Protect clever people from rules and politics associated with big-budget activities. For example, at a newspaper, the editor lets an investigative reporter skip editorial meetings. In a big consumer goods company, a leader filters requests for information from the head office so a consumer profiler can experiment with a new marketing plan.
- **Maintain diversity of ideas.** Avoid centralized management structures that stifle innovative thinking.

Example:
Swiss pharmaceutical giant Roche encourages the clever people in its three companies to pursue different projects as they see fit. CEO Franz Humer tells them, "You do what you want [at Genentech], and we will do what we want at Roche, and in five years' time we will know. Sometimes you will be right and sometimes we will be right."

- **Make it safe to fail.** Effective leaders know that for every successful product, many will fail. Ideally, the successes will more than recover the costs of the failures. By helping your clever people live with their failures, you boost the chances of more successes.

Example:

When three of Glaxo's high-tech antibiotics all failed in the final stages of clinical trial, chairman Sir Richard Sykes sent letters to the team leaders. He thanked them for their hard work but also their decision to kill the drugs. He then encouraged them to move on to the next challenge.

- **Let clever people pursue private efforts.** These efforts may generate new business opportunities for your firm.

Example:

Google lets employees spend one day a week on Googlettes—their own start-up ideas. Result? Innovation at a speed that puts large bureaucratic organizations to shame. For instance, the Google-affiliated social networking Web site Orkut began as a Googlette.

- **Demonstrate you're an expert in your own right.** Show how your expertise complements or supports your clever people's expertise. You'll establish credibility with them.

Example:

A marketing director at a brewer knew little about traditional brewing techniques. But he could quote details about his company's sales performance. His clear mastery of the business side gave him authority and credibility, so brewers respected his product development opinions.

Franz Humer, the CEO and chairman of the Swiss pharmaceutical giant Roche, knows how difficult it is to find good ideas. "In my business of research, economies of scale don't exist," he says. "Globally today we spend $4 billion on R&D every year. In research there aren't economies of scale, there are economies of ideas."

For a growing number of companies, according to Humer, competitive advantage lies in the ability to create an economy driven not by cost efficiencies but by ideas and intellectual know-how. In practice this means that leaders have to create an environment in which what we call "clever people" can thrive. These people are the handful of employees whose ideas, knowledge, and skills give them the potential to produce disproportionate value from the resources their organizations make available to them. Think, for example, of the software programmer who creates a new piece of code or the pharmaceutical researcher who formulates a new drug. Their single innovations may bankroll an entire company for a decade.

Top executives today nearly all recognize the importance of having extremely smart and highly creative people on staff. But attracting them is only half the battle. As Martin Sorrell, the chief executive of WPP, one of the world's largest communications services companies, told us recently, "One of the biggest challenges is that there are diseconomies of scale in creative industries. If you double the number of creative people, it doesn't mean you will be twice as creative." You must not only attract talent but also foster an environment in which your clever people are inspired to achieve their fullest potential in a way that produces wealth and value for all your stakeholders.

That's tough. If clever people have one defining characteristic, it is that they do not want to be led. This clearly creates a problem for you as a leader. The challenge has only become greater with globalization. Clever people are more mobile than ever before; they are as likely to be based in Bangalore or Beijing as in Boston. That means they have more opportunities: They're not waiting around for their pensions; they know their value, and they expect you to know it too.

We have spent the past 20 years studying the issue of leadership—in particular, what followers want from their leaders. Our methods are sociological, and our data come from case studies rather than anonymous random surveys. Our predominant method consists of loosely structured interviews, and our work draws primarily from five contexts: science-based businesses, marketing services, professional services, the media, and financial services. For this article, we spoke with more than 100 leaders and their clever people at leading organizations such as PricewaterhouseCoopers, Electronic Arts, Cisco Systems, Credit Suisse, Novartis, KPMG, the British Broadcasting Corporation (BBC), WPP, and Roche.

The more we talked to these people, the clearer it became that the psychological relationship leaders have with their clever people is very different from the one they have with traditional followers. Clever people want a high degree of organizational protection and recognition that their ideas are important. They also demand the freedom to explore and fail. They expect their leaders to be intellectually on their plane—but they do not want a leader's talent and skills to outshine their own. That's not to say that all clever people are alike, or that they follow a single path. They do, however, share a number of defining characteristics. Let's take a look at some of those now.

Understanding Clever People

Contrary to what we have been led to believe in recent years, CEOs are not utterly at the mercy of their highly creative and extremely smart people. Of course, some very talented individuals—artists, musicians, and other free agents—can produce remarkable results on their own. In most cases, however, clever people need the organization as much as it needs them. They cannot function effectively without the resources it provides. The classical musician needs an orchestra; the research scientist needs funding and the facilities of a first-class laboratory. They need more than just resources, however; as the head of development for a global accounting firm put it, your clever people "can be sources of great ideas, but unless they have systems and discipline they may deliver very little."

That's the good news. The bad news is that all the resources and systems in the world are useless unless you have clever people to make the most of them. Worse, they know very well that you must employ them to get their knowledge and skills. If an organization could capture the knowledge embedded in clever people's minds and networks, all it would need is a better knowledge-management system. The failure of such systems to capture tacit knowledge is one of the great disappointments of knowledge-management initiatives to date.

The attitudes that clever people display toward their organizations reflect their sense of self-worth. We've found most of them to be scornful of the language of hierarchy. Although they are acutely aware of the salaries and bonuses attached to their work, they often treat promotions with indifference or even contempt. So don't expect to lure or retain them with fancy job titles and new responsibilities. They will want to stay close to the "real work," often to the detriment of relationships with the people they are supposed to be managing. This doesn't mean they don't care about status—they do, often passionately. The same researcher who affects not to know his job title may insist on being called "doctor" or "professor." The point is that clever people feel they are part of an external professional community that renders the organizational chart meaningless. Not only do they gain career benefits from networking, but they construct their sense of self from the feedback generated by these extra-organizational connections.

Seven Things You Need to Know About Clever People

Leaders should be aware of the characteristics most clever people share, which collectively make them a difficult crew to manage.

1. They know their worth. The tacit skills of clever people are closer to those of medieval guilds than to the standardized, codifiable, and communicable skills that characterized the Industrial Revolution. This means you can't transfer the knowledge without the people.

2. They are organizationally savvy. Clever people will find the company context in which their interests will be most generously funded. If the funding dries up, they have a couple of options: They can move on to a place where resources are plentiful, or they can dig in and engage in elaborate politics to advance their pet projects.

3. They ignore corporate hierarchy. If you seek to motivate clever people with titles or promotions, you will probably be met with cold disdain. But don't assume this means they don't care about status; they can be very particular about it, and may insist on being called "doctor" or "professor."

4. They expect instant access. If clever people don't get access to the CEO, they may think the organization does not take their work seriously.

5. They are well connected. Clever people are usually plugged into highly developed knowledge networks; who they know is often as important as what they know. These networks both increase their value to the organization and make them more of a flight risk.

6. They have a low boredom threshold. In an era of employee mobility, if you don't engage your clever people intellectually and inspire them with organizational purpose, they will walk out the door.

7. They won't thank you. Even when you're leading them well, clever people will be unwilling to recognize your leadership. Remember, these creative individuals feel that they don't need to be led. Measure your success by your ability to remain on the fringes of their radar.

This indifference to hierarchy and bureaucracy does not make clever people politically naive or disconnected. The chairman of a major news organization told us about a globally famous journalist—an exemplar of the very clever and skeptical people driving the news business—who in the newsroom appears deeply suspicious of everything the "suits" are doing. But in reality he is astute about how the company is being led and what strategic direction it is taking. While publicly expressing disdain for the business side, he privately asks penetrating questions about the organization's growth prospects and relationships with important customers. He is also an outspoken champion of the organization in its dealings with politicians, media colleagues, and customers. You wouldn't invite him to a strategy meeting with a 60-slide PowerPoint presentation, but you would be wise to keep him informed of key developments in the business.

Like the famous journalist, most clever people are quick to recognize insincerity and respond badly to it. David Gardner, the COO of worldwide studios for Electronic Arts (EA), knows this because he oversees a lot of clever people. EA has 7,200 employees worldwide developing interactive entertainment software derived from FIFA Soccer, The Sims, *The Lord of the Rings*, and Harry Potter, among others. "If I look back at our failures," Gardner told us, "they have been when there were too many rah-rahs and not enough content in our dealings with our people. People are not fooled. So when there are issues or things that need to be worked out, straightforward dialogue is important, out of respect for their intellectual capabilities."

Managing Organizational "Rain"

Given their mind-set, clever people see an organization's administrative machinery as a distraction from their key value-adding activities. So they need to be protected from what we call organizational "rain"—the rules and politics associated with any big-budget activity. When leaders get this right, they can establish exactly the productive relationship with clever people that they want. In an academic environment, this is the dean freeing her star professor from the burden of departmental administration; at a newspaper, it is the editor allowing the investigative reporter to skip editorial meetings; in a fast-moving multinational consumer goods company, it is the leader filtering requests for information from the head office so the consumer profiler is free to experiment with a new marketing plan.

Organizational rain is a big issue in the pharmaceutical business. Drug development is hugely expensive—industry-wide, the average cost of bringing a drug to market is about $800 million—and not every drug can go the distance. As a result, the politics surrounding a decision can be ferocious. Unless the CEO provides cover, promising projects may be permanently derailed, and the people involved may lose confidence in the organization's ability to support them.

The protective role is one that Arthur D. Levinson, Genentech's CEO and a talented scientist in his own right, knows how to play. When the drug Avastin failed in Phase III clinical trials in 2002, Genentech's share price dropped by 10% overnight. Faced with that kind of pressure, some leaders would have pulled the plug on Avastin. Not Levinson: He believes in letting his clever people decide. Once or twice a year, research scientists have to defend their work to Genentech's Research Review Committee, a group of 13 PhDs who decide how to allocate the research budget and whether to terminate projects. This gives rise to a rigorous debate among the clever people over the science and the direction of research. It also insulates Levinson from accusations of favoritism or short-termism. And if the RRC should kill a project, the researchers are not only not fired, they are asked what they want to work on next.

Roche owns 56% of Genentech, and Franz Humer stands foursquare behind Levinson. Leading clever people, Humer told us, is especially difficult in hard times. “You can look at Genentech now and say what a great company,” he said, “but for ten years Genentech had no new products and spent between $500 million and $800 million on research every year. The pressure on me to close it down or change the culture was enormous.” Avastin was eventually approved in February 2004; in 2005 it had sales of $1.13 billion.

Having a leader who’s prepared to protect his clever people from organizational rain is necessary but not sufficient. It’s also important to minimize the rain by creating an atmosphere in which rules and norms are simple and universally accepted. These are often called “representative rules,” from the classic *Patterns of Industrial Bureaucracy,* by the sociologist Alvin Gouldner, who distinguished among environments where rules are ignored by all (mock bureaucracy), environments where rules are imposed by one group on another (punishment-centered bureaucracy), and environments where rules are accepted by all (representative bureaucracy). Representative rules, including risk rules in banks, sabbatical rules in academic institutions, and integrity rules in professional services firms, are precisely the ones that clever people respond to best.

Recruiting People with the Right Stuff

Clever people require a peer group of like-minded individuals. Universities have long understood this. Hire a star professor and you can be sure the aspiring young PhDs in that discipline will flock to your institution. This happens in business as well. In the investment banking world, everyone watches where the cleverest choose to work. Goldman Sachs, for example, cherishes its reputation as the home of the brightest and best; a bank that seeks to overtake it must be positioned as a place where cleverness thrives.

For this reason, the CEOs of companies that rely on clever people keep a close watch on the recruiting of stars. Bill Gates always sought out the cleverest software programmers for Microsoft. From the start, Gates insisted that his company required the very best minds; he understood that they act as a magnet for other clever people. Sometimes he intervened personally in the recruitment process: A particularly talented programmer who needed a little additional persuasion to join the company might receive a personal call from Gates. Very flattering—and very effective.

Although you need to recruit clever stars, you must also make sure that your culture celebrates clever ideas. In an effort to create stars, some media organizations divide their employees into “creatives” and administrative support staff. That’s a big mistake. It makes about as much sense as recruiting men only—you automatically cut your talent pool in half. The ad agency Bartle Bogle Hegarty doesn’t make this mistake. Many of its most successful executives started as assistants but were given the space to grow and express their cleverness. Not surprisingly, BBH has long been regarded as one of the most creative ad agencies in the world. At the heart of its corporate culture is the maxim “Respect ideas, wherever they come from.”

Savvy leaders take steps to streamline rules and to promote a culture that values simplicity. A well-known example is Herb Kelleher, the CEO of Southwest Airlines, who threw the company’s rule book out the window. Another is Greg Dyke, who when he was the director general of the BBC discovered a mass of bureaucratic rules, often contradictory, which produced an infuriating organizational *immobilisme*. Nothing could be better calculated to discourage the clever people on whom the reputation and future success of the BBC depended. Dyke launched an irreverent “cut the crap” program, liberating creative energy while exposing those who had been blaming the rules for their own inadequacies. He creatively engaged employees in the campaign—for example, suggesting that they pull out a yellow card (used to caution players in soccer games) whenever they encountered a dysfunctional rule.

Letting a Million Flowers Bloom

Companies whose success depends on clever people don’t place all their bets on a single horse. For a large company like Roche, that simple notion drives big decisions about corporate control and M&A. That’s why Humer decided to sell off a large stake in Genentech. “I insisted on selling 40% on the stock market,” he told us. “Why? Because I wanted to preserve the company’s different culture. I believe in diversity: diversity of culture, diversity of origin, diversity of behavior, and diversity of view.”

For similar reasons, Roche limits its ownership of the Japanese pharmaceutical company Chugai to 51%. By keeping the clever people in all three companies at arm's length, Humer can be confident that they will advance different goals: "My people in the Roche research organization decide on what they think is right and wrong. I hear debates where the Genentech researchers say, 'This program you're running will never lead to a product. You are on the wrong target. This is the wrong chemical structure—it will prove to be toxic.' And my guys say, 'No, we don't think so.' And the two views never meet. So I say to Genentech, 'You do what you want, and we will do what we want at Roche, and in five years' time we will know. Sometimes you will be right and sometimes we will be right.'" Maintaining that diversity is Humer's most challenging task; there is always pressure within a large organization to unify and to direct from above.

Companies that value diversity are not afraid of failure. Like venture capitalists, they know that for every successful new pharmaceutical product, dozens have failed; for every hit record, hundreds are duds. The assumption, obviously, is that the successes will more than recover the costs of the failures. Take the case of the drinks giant Diageo. Detailed analysis of customer data indicated an opening in the market for an alcoholic beverage with particular appeal to younger consumers. Diageo experimented with many potential products—beginning with predictable combinations like rum and coke, rum and blackcurrant juice, gin and tonic, vodka and fruit juice. None of them seemed to work. After almost a dozen tries, Diageo's clever people tried something riskier: citrus-flavored vodka. Smirnoff Ice was born—a product that has contributed to a fundamental change in its market sector.

It's easy to accept the necessity of failure in theory, but each failure represents a setback for the clever people who gambled on it. Smart leaders will help their clever people to live with their failures. Some years ago, when three of Glaxo's high-tech antibiotics all failed in the final stages of clinical trial, Richard Sykes—who went on to become chairman of Glaxo Wellcome and later of GlaxoSmithKline—sent letters of congratulation to the team leaders, thanking them for their hard work but also for killing the drugs, and encouraging them to move on to the next challenge. EA's David Gardner, too, recognizes that his business is "hit driven," but he realizes that not even his most gifted game developers will always produce winners. He sees his job as supporting his successful people—providing them with space and helping them move on from failed projects to new and better work.

Smart leaders also recognize that the best ideas don't always come from company projects. They enable their clever people to pursue private efforts because they know there will be payoffs for the company, some direct (new business opportunities) and some indirect (ideas that can be applied in the workplace).This tradition originated in organizations like 3M and Lockheed, which allowed employees to pursue pet projects on company time. Google is the most recent example: Reflecting the entrepreneurial spirit of its founders, Sergey Brin and Larry Page, employees may spend one day a week on their own start-up ideas, called Googlettes. This is known as the "20% time." (Genentech has a similar policy.) The result is innovation at a speed that puts large bureaucratic organizations to shame. The Google-affiliated social-networking Web site Orkut is just one project that began as a Googlette.

Establishing Credibility

Although it's important to make your clever people feel independent and special, it's equally important to make sure they recognize their *inter*dependence: You and other people in the organization can do things that they can't. Laura Tyson, who served in the Clinton administration and has been the dean of London Business School since 2002, says, "You must help clever people realize that their cleverness doesn't mean they can do other things. They may overestimate their cleverness in other areas, so you must show that you are competent to help them." To do this you must clearly demonstrate that you are an expert in your own right.

Depending on what industry you are in, your expertise will be either supplementary (in the same field) or complementary (in a different field) to your clever people's expertise. At a law firm, the emphasis is on certification as a prerequisite for practice; at an advertising agency, it's originality of ideas. It would be hard to lead a law firm without credentials. You can lead an advertising agency with complementary skills—handling commercial relationships with clients, for instance, while your clever people write great copy.

A man we'll call Tom Nelson, who was the marketing director of a major British brewer, is a good example of a leader with complementary skills. Nelson was no expert on traditional brewing techniques or real ales. But he was known throughout the organization as “Numbers Nelson” for his grasp of the firm’s sales and marketing performance, and was widely respected. Nelson had an almost uncanny ability to quote, say, how many barrels of the company’s beer had been sold the previous day in a given part of the country. His clear mastery of the business side gave him both authority and credibility, so the brewers took his opinions about product development seriously. For example, Nelson’s reading of market tastes led to the company’s development of low-alcohol beers.

Leaders with supplementary expertise are perhaps more commonplace: Microsoft’s Bill Gates emphasizes his abilities as a programmer. Michael Critelli, the CEO of Pitney Bowes, holds a number of patents in his own name. Richard Sykes insisted on being called Dr. Sykes. The title gave him respect within the professional community to which his clever people belonged—in a way that being the chairman of a multinational pharmaceutical company did not.

The Traitorous Eight

Ineffective leadership of clever people can be costly. Consider the cautionary tale of William Shockley, a London-born research scientist who worked at Bell Labs after World War II. In 1947 Shockley was recognized as a coinventor of the transistor, and in 1956 he was awarded a Nobel Prize. He left Bell Labs in 1955 and founded Shockley Semiconductor Laboratory, in Mountain View, California. His academic reputation attracted some of the cleverest people in electronics, including Robert Noyce and Gordon Moore (of Moore’s Law fame). Shockley was blessed with a brilliant mind. Noyce described him as a “marvelous intuitive problem solver,” and Moore said he had a “phenomenal physical intuition.” But his leadership skills fell far short of his intellectual brilliance. On one occasion Shockley asked some of his younger employees how he might stoke their enthusiasm. Several expressed a wish to publish research papers. So Shockley went home, wrote a paper, and the next day offered to let them publish it under their own names. He meant well but led poorly.

On another occasion, Shockley instituted a secret “project within a project.” Although only 50 or so people were employed in his laboratory, the group assigned to work on his new idea (which, according to Shockley, had the potential to rival the transistor) was not allowed to discuss the project with other colleagues. It wasn’t long before rumblings of discontent at Shockley’s leadership style turned mutinous. The situation deteriorated and a disenchanted group—“the Traitorous Eight”—left to found Fairchild Semiconductor in 1957. Fairchild revolutionized computing through its work on the silicon transistor. It also threw off a slew of clever people who went on to start up or develop some of the best-known companies in the industry: Bob Noyce and Gordon Moore (Intel), Jerry Sanders (Advanced Micro Devices), and Charlie Sporck (National Semiconductor) were all former employees of Fairchild.

Through his poor leadership, Shockley inadvertently laid the cornerstone of Silicon Valley. He brought together some of the best scientists in the field of electronics, many of whom might otherwise not have remained in the region. And he created conditions that provoked his brilliant employees to strike out on their own.

But credentials—especially if they are supplementary—are not enough to win acceptance from clever people. Leaders must exercise great care in displaying them so as not to demotivate their clever employees. A former national soccer coach for England, Glenn Hoddle, asked his star player, David Beckham, to practice a particular maneuver. When Beckham couldn’t do it, Hoddle—once a brilliant international player himself—said, “Here, I’ll show you how.” He performed the maneuver flawlessly, but in the process he lost the support of his team: The other players saw his move as a public humiliation of Beckham, and they wanted no part of that. The same dynamic has played out many times in business; the experience of William Shockley is perhaps the most dramatic, and tragic, example (see the sidebar “The Traitorous Eight”). How do you avoid this kind of situation? One highly effective way is to identify and relate to an informed insider among your clever people—someone willing to serve as a sort of anthropologist, interpreting the culture and sympathizing with those who seek to understand it. This is especially important for newly recruited leaders. Parachuting in at the top and accurately reading an organization is hard work. One leader we spoke to admitted that he initially found the winks, nudges, and silences of his new employees completely baffling. It took an interpreter—someone who had worked among the clever people for years—to explain the subtle nuances.

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Martin Sorrell likes to claim that he uses reverse psychology to lead his “creatives” at WPP: “If you want them to turn right, tell them to turn left.” His comment reveals an important truth about managing clever people. If you try to push them, you will end up driving them away. As many leaders of extremely smart and highly creative people have learned, you need to be a benevolent guardian rather than a traditional boss. You need to create a safe environment for your clever employees; encourage them to experiment and play and even fail; and quietly demonstrate your expertise and authority all the while. You may sometimes begrudge the time you have to devote to managing them, but if you learn how to protect them while giving them the space they need to be productive, the reward of watching your clever people flourish and your organization accomplish its mission will make the effort worthwhile.

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